

## **CHAPTER 2A**

### **INTRODUCTION TO THE PERSONAL INCOME TAX, CORPORATION TAX, AND SALES AND USE TAX**

The Personal Income Tax, Corporation Tax, and Sales and Use Tax are the "Big Three" of California taxes for several reasons. First, they are the largest sources of revenue. Together they raised \$87.8 billion in 2005-06 (approximately 97.1% of all General Fund revenues) and raised \$90.5 billion in fiscal year 2006-07 (97.1% of all General Fund revenues). (Source: Governor's Budget Summaries of 2007-08 and 2008-09)

Second, they are more complex than most of the other taxes. The Personal Income Tax, for instance, has five different filing statuses, six different tax brackets in each filing status, and dozens of different tax credits and itemized deductions.

Third, these three taxes have the greatest impact on California taxpayers. Nearly all Californians pay the sales tax, and the Franchise Tax Board (FTB) currently receives about 16 million taxable returns each year from Californians who owe income tax. Nearly all of California businesses pay some form of the Corporation tax.

The following chapters, therefore, devote many pages to these three taxes. The unitary method of taxation for multistate and multinational corporations, formally known as Uniform Division of Income for Tax Purposes Act (UDITPA) is among the most complicated of all provisions of California tax law and is also discussed. The remaining chapters are devoted to the other California taxes.

Readers may obtain additional information on these taxes by calling the various administrative agencies – FTB, Board of Equalization (BOE), and the Employment Development Department (EDD).

